

UNITED STATES DISTRICT COURT

Northern District of California

Oakland Division

KELORA SYSTEMS, LLC,

No. C 11-01548 CW (LB)

Plaintiff,

v.

**ORDER RE 11/4/2011 DISCOVERY
LETTER**

TARGET CORPORATION, *et al.*,

[ECF No. 411]

Defendants.

I. INTRODUCTION

The district court has referred all discovery matters in the above-captioned patent case and the related cases to the undersigned. Referral Order, ECF No. 333 at 2.¹ On November 4, 2011, Kelora Systems, LLC and Defendants² submitted a joint discovery letter in which Kelora seeks to compel Defendants' production of certain financial-related documents (costs and sales revenue information from 1999 to the present) regarding Defendants' e-commerce websites that are accused of infringing Kelora's patent in suit for the period prior to November 2, 2010. ECF No. 411 at 1. After conducting a telephonic hearing, the court denies Kelora's motion to compel to the extent that it seeks documents for the 12-month period before and the 12-month period after each of the Defendants' websites first began to implement parametric search and anytime prior to November 2,

¹ Citations are to the clerk's electronic case file (ECF) with pin cites to the electronic page numbers at the top (as opposed to the bottom) of the page.

² Defendants are Amazon.com, Inc., Costco Wholesale Corp., Hewlet-Packard Co., Office Depot, Inc., and Target Corp.

1 2008.

2 II. FACTUAL BACKGROUND

3 Kelora is the owner by assignment of all right, title and interest in U.S. Patent No. 6,275,821
4 (“‘821 patent”), which is entitled “Method and system for executing a guided parametric search” and
5 was issued by the U.S. Patent & Trademark Office (“PTO”) on August 14, 2001. Second Amended
6 Complaint, ECF No. 334 at 3. The PTO issued a reexamination certificate for the ‘821 patent on
7 November 2, 2010. *Id.* The patent claims a “process for identifying a single item from a family of
8 items” that is run on a single, local computer or over the internet. ECF No. 330-4 at 2-3.

9 On November 8, 2010, Kelora filed suit against 20 defendants in the Western District of
10 Wisconsin. This action was subsequently transferred to the Northern District of California (*Kelora*
11 *Systems, LLC v. Target Corp., et al.*, CV 11-1548 CW).

12 On November 4, 2011, Kelora and Defendants submitted a joint discovery letter in which
13 Kelora seeks to compel Defendants’ production of certain financial-related documents (costs and
14 sales revenue information from 1999 to the present) regarding Defendants’ e-commerce websites
15 that are accused of infringing Kelora’s patent in suit for the period prior to November 2, 2010. ECF
16 No. 411 at 1.

17 III. DISCUSSION

18 During a meet-and-confer session, Kelora offered to limit the scope of its requests to two
19 periods: (1) from November 2, 2008, to the present; and (2) for the 12-month period before and the
20 12-month period after each of the Defendants’ websites first began to implement parametric search.
21 *Id.* Kelora argues that the financial information for the two-year period prior to the issuance of the
22 ‘821 Patent on November 2, 2010, would be relevant to a hypothetical licensor and licensee about to
23 commence negotiations because parametric search helps drive Defendants’ ecommerce sales. *Id.* at
24 2, 6. Kelora further contends that the “before” and “after” financial information is probative of the
25 potential value that the Defendants enjoyed from the use of parametric search in their websites, even
26 if that use occurred prior to the issuance of the ‘821 Patent.. *Id.* at 2 (citing *Georgia-Pacific Corp.*
27 *v. U.S. Plywood Corp.*, 318 F.Supp. 1116, 1120 (S.D.N.Y.1970)). Kelora also claims that
28 Defendants concede the relevance of this information by having agreed to produce such financial
documents for the post-November 2010 period. *Id.* at 5. Finally, Kelora argues that Defendants have

1 not demonstrated any undue burden with producing financial information for the 12-month “before
2 and after” period. *Id.*

3 Defendants note that Judge Wilken already has ruled that Kelora may not seek damages for any
4 infringement prior to November 2, 2010, and that Kelora will “have to be able to explain why it is
5 that a document before November 2nd was relevant to damages that happened in the future,” and
6 that such discovery must not be “burdensome and done for purposes of harassment or delay.” ECF
7 No. 411 at 3. Defendants claim that their objection to Kelora’s blanket request for financial
8 information “for the 12- month period before and the 12-month period after [the accused] websites
9 first began to implement parametric search” should be sustained because the request is not
10 reasonably tailored to identify probative evidence and minimize the burden on Defendants. *Id.* at 5.
11 Defendants dispute that revenue for sales made via websites is relevant to a reasonable royalty in
12 this case, because the revenue is for sales of products (e.g., books) that are not accused of
13 infringement. *Id.* at 3. Defendants further contend that Kelora fails to point to any evidence that
14 such revenues can be tied to the importance of the accused functionality, noting that there are many
15 other variables that can affect website sales revenue in a given time period, including the state of the
16 economy, promotions run on the website, changes to other features on the website, etc. *Id.* at 3-4.
17 Defendants also claim that the before and after data can span back as much as nine years, which is
18 not reasonably related to the infringement in question. *Id.* at 4. Additionally, Defendants contend
19 that they should not have to produce information based on when websites first began to use
20 parametric searching because this is vague and open to interpretation and the first use might infringe
21 on the patent. *Id.* Defendants state that their offer to compromise by producing financial data for
22 post-November 2, 2010 sales made via the websites specifically identified in Kelora’s preliminary
23 infringement contentions and for sales made after November 2, 2008, if the accused functionality
24 had been implemented on the accused websites by then, was not a concession as to the relevance of
25 the information. *Id.*

26 The Defendants’ compromise position is reasonable. The financial information provides a basis
27 for determining the value of the method but (1) there are many other potentially confounding factors
28 that limit the probative value of comparing the “before” and “after” data; (2) information from years
before the reexamination would not likely play a meaningful role in the hypothetical negotiation;

1 and (3) Judge Wilken clearly indicated that discovery regarding damages for the time period before
2 November 2, 2010 should be limited.

3 **IV. CONCLUSION**

4 For the foregoing reasons, the court denies Kelora's motion to compel to the extent that it seeks
5 documents for the 12-month period before and the 12-month period after each of the Defendants'
6 websites first began to implement parametric search and anytime prior to November 2, 2008. The
7 court specifically orders discovery of financial data for post-November 2, 2010 sales made via the
8 websites specifically identified in Kelora's preliminary infringement contentions and financial
9 information for sales made after November 2, 2008 (i.e., two years prior to the reexamination
10 certificate), if the accused functionality had been implemented on the accused websites by then. The
11 court specifically finds that Defendants' compromise offer was not a concession as to the relevance
12 of the information.

13 This disposes of ECF No. 411.

14 **IT IS SO ORDERED.**

15 Dated: November 9, 2011



16 LAUREL BEELER
17 United States Magistrate Judge
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